

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1129
ANSWERED ON:24.10.2008
UNUTILIZED GOVERNMENT MONEY WITH THE RBI
Mahato Shri Narahari

Will the Minister of FINANCE be pleased to state:

- (a) whether several crores of rupees of Government remain unutilized with the Reserve Bank of India (RBI);
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps to be taken by Government in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): No Sir. The cash balances vary on a day to day basis. The cash balances of the Government of India keep fluctuating based on revenue receipts, market borrowings, investments by State Governments in auction treasury bills, intermediate treasury bills, and drawdown on cash balances to meet various items of Government expenditure. The cash balance of the Government of India as on October 17, 2008 deposited with the Reserve Bank of India (RBI) was Rs. 33,556 crore including an investment balance of Rs. 33,455 crore. In comparison, as on March 31, 2008, cash balance of Government of India deposited with RBI was Rs. 76,686 crore including an investment balance of Rs. 20,000 crore.

In terms of Section 21 (1) of the Reserve Bank of India Act, 1934, the Central Government shall entrust RBI, on such conditions as may be agreed upon, with all its money, remittance, exchange and banking transactions in India, and in particular, shall deposit free of interest all its cash balances with RBI.

However, in terms of para(8) of the Supplemental Agreement between RBI and the Government of India signed on March 26, 1997, surplus cash balances of the Government, above a minimum level and upto a specified ceiling, are invested by RBI at face value, in the securities made available by RBI from its own portfolio. Effective October 15, 2008, the ceiling for such investment is Rs. 50,000 crore.